

Council on Postsecondary Education  
March 21, 2005

## 2004-06 Budget Update

The House and Senate passed the budget bill (HB 267) March 8. The bill has been sent to the Governor, who has ten days to veto any item(s). As of March 18, the Governor had not indicated whether he would veto any item(s) in the budget bill.

This budget provides \$1,011,108,900 in 2004-05 and \$1,106,065,300 in 2005-06 in state General Funds for postsecondary education – a 10.2 percent increase for the biennium. The 2005-06 funding level represents a \$102.7 million increase over 2003-04 appropriations. Attachment A is a comparison of the appropriations made in HB 267 as passed by the General Assembly to those recommended by the Council.

Here are some of the funding highlights for postsecondary education.

- Approximately an \$81 million increase to base operating funds of the public postsecondary institutions over the biennium (Attachment B). This represents an increase of approximately 9 percent for the institutions and accomplishes the following:
  - Restores all of the recurring reduction of 2004 (\$23.4 million).
  - Provides operation and maintenance funding for new facilities (\$11.1 million).
  - Provides an additional 1.8 percent or \$16.7 million across the board increase.
  - Provides a \$16.7 million increase in benchmark equity funding.
  - Provides \$5 million to the institutions for enrollment growth between fall 1998 and fall 2004.
  - Provides \$8.75 million to KCTCS, KSU, MuSU, UK, and UofL for targeted programs.
- Dedicated revenue from 1-cent surtax on cigarettes to be evenly divided between the University of Kentucky's Markey Cancer Center and the University of Louisville's Brown Cancer Center.
- \$500,000 nonrecurring appropriation in 2004-05 for oral history program at the University of Kentucky.

- The 2005-06 appropriation for the Adult Education and Literacy Trust Fund includes an increase of \$2.5 million to restore past budget reductions.
- \$18.5 million in 2005-06 for the Physical Facilities Trust Fund in debt service for capital projects described below. See Attachment C.

The Physical Facilities Trust Fund includes debt service for \$460.4 million of new construction, renovation, replacement, and infrastructure projects. Except for three projects, all projects recommended by the Council were authorized and received state funding. The three projects recommended by the Council but not funded are the NKU Science Building Renovation, the KCTCS Prestonsburg/Mayo Renovate District Facilities, and the CPE Capital Renewal and Maintenance Pool. Eleven projects were added by the General Assembly to the list of projects recommended by the Council. See italicized projects, Attachment C.

The General Assembly authorized agency bond projects by line item instead of authorizing the agency bond pool requested by the Council. See Attachment D.

Executive Summary  
COMMONWEALTH OF KENTUCKY POSTSECONDARY EDUCATION  
**2004-06 HOUSE BUDGET RECOMMENDATION - STATE GENERAL FUND APPROPRIATIONS**

	*Revised FY 2003-04	FY 2004-05			FY 2005-06		
		Council Recommendation	Conference Committee Report	Difference	Council Recommendation	Conference Committee Report	Difference
Postsecondary Education Institutions							
Postsecondary Education Institutions	\$ 958,654,400	\$ 1,043,240,600	\$ 962,344,600	\$ (80,896,000)	\$ 1,095,422,300	\$ 986,203,600	\$ (109,218,700)
Institutional Base Enhancement						\$ 45,000,000	\$ 45,000,000
Past Enrollment Growth						\$ 5,000,000	\$ 5,000,000
Total Postsecondary Institutions	\$ 958,654,400	\$ 1,043,240,600	\$ 962,344,600	\$ (80,896,000)	\$ 1,095,422,300	\$ 1,036,203,600	\$ (59,218,700)
Council on Postsecondary Education							
Total CPE Operations	\$ 10,471,300	\$ 11,782,000	\$ 10,597,700	\$ (1,184,300)	\$ 12,406,800	\$ 10,766,000	\$ (1,640,800)
Total Pass-Through	\$ 4,679,400	\$ 5,085,300	\$ 4,910,300	\$ (175,000)	\$ 5,906,800	\$ 6,500,300	\$ 593,500
Total Strtgc Invst. & Incnt. Trst. Fnds. (recur. funds)	\$ 29,567,400	\$ 34,008,000	\$ 33,256,300	\$ (751,700)	\$ 93,493,000	\$ 52,595,400	\$ (40,897,600)
<b>Total Postsecondary Ed. (Recurring GF)</b>	<b>\$ 1,003,372,500</b>	<b>\$ 1,094,115,900</b>	<b>\$ 1,011,108,900</b>	<b>\$ (83,007,000)</b>	<b>\$ 1,207,228,900</b>	<b>\$ 1,106,065,300</b>	<b>\$ (101,163,600)</b>

\* Revised FY 2004 General Fund appropriation figures are adjusted to reflect only recurring General Fund reductions.

**Programs Funded Through Nonrecurring Funds**

**Strategic Investment and Incentive Funding Program**

**Research Challenge Trust Fund**

Endowment Match Program	\$ 9,871,000	(1)	\$ -			\$ -	\$ 50,000,000	(50,000,000)
<b>Total Research Challenge Trust Fund</b>	<b>\$ 9,871,000</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,000,000</b>	<b>\$ (50,000,000)</b>

**Regional University Excellence Trust Fund**

Endowment Match Program	\$ 1,975,000	(1)	\$ -	\$ -	\$ -	\$ 10,000,000	(10,000,000)
<b>Total Reg. University Excellence Trust Fund</b>	<b>\$ 1,975,000</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,000,000</b>	<b>\$ (10,000,000)</b>

**Workforce Development Trust Fund**

Endowment Match Program	\$ -		\$ -	\$ -	\$ -	\$ 1,000,000	(1,000,000)
<b>Total Workforce Development Trust Fund</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,000,000</b>	<b>\$ (1,000,000)</b>

**Programs Funded Through Other Fund Sources**

Lung Cancer/Ovarian Cancer Research [Tobacco Settlement Funds]	\$ 5,455,000	\$ 5,681,200	\$ 5,431,300	\$ (249,900)	\$ 5,736,200	\$ 5,421,300	\$ (314,900)
** KHEAA-Need-Based Fin. Aid Prog. (CAP & KTG) [Lottery Proceeds]	\$ 65,720,600	\$ 66,600,000	\$ 68,418,400	\$ 1,818,400	\$ 79,915,000	\$ 83,233,400	\$ 3,318,400
Student Fin. Aid and Advan. Trst Fnd-KEES [Lottery Proceeds]	\$ 68,320,000	\$ 66,600,000	\$ 75,375,000	\$ 8,775,000	\$ 65,385,000	\$ 69,525,000	\$ 4,140,000
Off Camp. Teach. Ctr-Trovtr Clin. Found. [Coal Severance Tax]	\$ 1,000,000	\$ 1,050,000	\$ 1,050,000	\$ -	\$ 1,102,500	\$ 1,102,500	\$ -

(1) This is debt service to fund total project scope (\$100 million for Research Challenge and \$20 million for Regional University Excellence) - 2005-06 request is General Fund nonrecurring increase instead of debt service request for bon

\*\* The Council considers student financial aid to be a high priority, especially KHEAA-need based aid, and even though KHEAA's funding request is not part of CPE's budget recommendation responsibilities, funding for need based aid is a priority for the Council.

**Conference HB 267**  
**General Fund Institutional Base Operating Appropriation Increases in 2004-06 Biennium**

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>										
	Recurring Net Base**	Targeted Programs Increase	Past Enrollment Growth	Restore Recurring Cuts	M&O Increase	Proportional Increase	Benchmark Equity Increase	Targeted Programs Increase	Total Increase	% Increase over FY 04 Recurring Net Base	% of Total Increase		
<b>EKU</b>	\$ 67,736,000		\$ 100,000	\$ 2,067,800	\$ 1,304,300	\$ 1,263,383	\$ 1,151,438	\$ -	\$ 5,886,921	8.7%	7.2%		
<b>KCTCS*</b>	182,314,900		1,000,000	4,740,300	1,346,800	3,408,098	4,544,120	3,000,000	18,039,318	9.9%	22.1%		
<b>KSU</b>	20,034,600	2,815,800	100,000	344,900	190,500	407,370	-	482,000	4,340,570	21.7%	5.3%		
<b>MoSU</b>	40,146,700		264,300	1,138,900	248,800	738,565	891,143	-	3,281,708	8.2%	4.0%		
<b>MuSU</b>	48,294,600		257,300	1,293,800	1,230,000	904,553	764,452	300,000	4,750,105	9.8%	5.8%		
<b>NKU</b>	40,094,000		899,600	1,965,400	997,900	758,572	1,886,473	-	6,507,945	16.2%	8.0%		
<b>UK*</b>	287,680,800	1,600,000	665,700	5,533,500	2,887,900	5,288,609	2,510,740	175,000	18,661,449	6.5%	22.9%		
<b>UofL</b>	143,427,500		713,100	3,090,600	1,508,300	2,640,940	2,679,668	375,000	11,007,608	7.7%	13.5%		
<b>WKU</b>	65,697,000		1,000,000	3,228,600	1,449,700	1,239,707	2,221,767	-	9,139,774	13.9%	11.2%		
<b>Total</b>	<b>\$ 895,426,100</b>	<b>\$ 4,415,800</b>	<b>\$ 5,000,000</b>	<b>\$ 23,403,800</b>	<b>\$ 11,164,200</b>	<b>\$ 16,649,797</b>	<b>\$ 16,649,801</b>	<b>\$ 4,332,000</b>	<b>\$ 81,615,398</b>	<b>9.1%</b>	<b>100.0%</b>		

\*FY 2005 recurring net base figures for KCTCS and UK have been adjusted to reflect the transfer of LCC.

\*\* FY 2004 These figures represent the base appropriations to the institutions less debt service and the U of L Hospital Contract.

**2004-06 Capital Projects  
State General Fund - HB 267**

**March 18, 2005**

	Council Recommendation			Conference Committee Report			
	Project Scope	Bonds or State Funds	Agency Bonds or Inst. Funds	General Funds State Bonds	Agency Bonds	Inst/Fed. Funds	Total Authorization
<b>Research Space</b>							
<b>University of Kentucky</b>							
Construct Biological/Pharmaceutical Complex	\$ 119,892,000	\$ 71,935,200	\$ 47,956,800	\$ 40,000,000			\$ 40,000,000
<i>Animal Diagnostic Center - Newtown Pike (1)</i>				8,500,000			8,500,000
<b>University of Louisville</b>							
Health Science Campus Research Facilities Phase III	98,000,000	58,800,000	39,200,000	39,150,000		26,050,000	65,200,000
<b>Total Research Space</b>	<b>\$ 217,892,000</b>	<b>\$ 130,735,200</b>	<b>\$ 87,156,800</b>	<b>\$ 87,650,000</b>	<b>\$ -</b>	<b>\$ 26,050,000</b>	<b>\$ 113,700,000</b>
<b>New Construction</b>							
<b>KCTCS</b>							
Ashland TC Regional Postsecondary Ed. Center Phase I	28,690,000	28,690,000		18,030,000			18,030,000
Owensboro CC Advanced Technology Center Phase II	24,088,000	24,088,000		13,088,000		2,000,000	15,088,000
Madisonville CC Technology Building Phase I	12,500,000	12,500,000		14,000,000		2,000,000	16,000,000
Franklin/Simpson Technology Center	11,984,000	11,984,000		12,000,000		2,000,000	14,000,000
Henderson CC Tri-County Technical Center	13,066,000	13,066,000		13,066,000		2,000,000	15,066,000
<i>Warren County Technology Center (1)</i>				7,500,000			7,500,000
Construct LCC Classroom/Class Lab Building	28,855,000	28,855,000		31,741,000			31,741,000
<i>LCC Winchester Facility (1) (2)(RA)</i>				3,400,000		1,500,000	4,900,000
<i>Jefferson Community College (design Hartford) (1)</i>				600,000			600,000
<i>Gateway CTC Expand Edgewood Campus (1)</i>				15,477,000			15,477,000
<b>Total KCTCS</b>	<b>\$ 119,183,000</b>	<b>\$ 119,183,000</b>	<b>\$ -</b>	<b>\$ 128,902,000</b>	<b>\$ -</b>	<b>\$ 9,500,000</b>	<b>\$ 138,402,000</b>
<b>Eastern Kentucky University</b>							
Construct Business/Technology Center Phase II	32,850,000	32,850,000		32,850,000			32,850,000
<i>Science Complex Planning &amp; Design (1)</i>				5,000,000			5,000,000
Construct Manchester Postsecondary Ed. Center Phase I	10,000,000		10,000,000	9,000,000			9,000,000
<b>Morehead State University</b>							
Construct MSU-NASA Space Science Center	12,200,000	12,200,000		12,200,000		5,000,000	17,200,000
<i>Clay Community Center-8 Additional Classrooms (1)</i>				1,500,000			1,500,000
<i>Design Health Science Classroom Building (1)</i>				1,500,000			1,500,000
<b>Total new Construction</b>	<b>\$ 174,233,000</b>	<b>\$ 164,233,000</b>	<b>\$ 10,000,000</b>	<b>\$ 190,952,000</b>	<b>\$ -</b>	<b>\$ 14,500,000</b>	<b>\$ 205,452,000</b>

**2004-06 Capital Projects  
State General Fund - HB 267**

March 18, 2005

	Council Recommendation			Conference Committee Report			
	Project Scope	Bonds or State Funds	Agency Bonds or Inst. Funds	General Funds State Bonds	Agency Bonds	Inst/Fed. Funds	Total Authorization
<b>KCTCS - Renovations and Repairs</b>							
Somerset Renovate Aircraft Maintenance Lab (Aviation)	1,468,000	1,468,000		1,650,000			1,650,000
<b>Comprehensive Universities - Renovation and Repairs</b>							
<b>Kentucky State University</b>							
Renovate Hathaway Hall Classroom Building	11,200,000	11,200,000		7,400,000			7,400,000
Young Hall Renovation (Reauthorized Agency Bonds)	9,407,000	5,267,920	4,327,220	5,339,000	4,547,000	396,000	10,282,000
<b>Murray State University</b>							
Blackburn Science Replacement - Phase II	22,250,000	22,250,000		15,000,000			15,000,000
Breathitt Veterinary Clinic - Replace Incinerator (1) (4)				See Note #4			
<b>Northern Kentucky University</b>							
Regional Special Events Center (1)				54,000,000		6,000,000	60,000,000
<b>Western Kentucky University</b>							
Thompson Sc. Complex Repl./Renov. - Phase II	33,000,000	33,000,000		33,000,000			33,000,000
Math and Science Academy (Schneider) Renovation (3)				3,750,000	5,000,000	3,500,000	12,250,000
<b>Total Renovations and Repairs</b>	<b>\$ 77,325,000</b>	<b>\$ 73,185,920</b>	<b>\$ 4,327,220</b>	<b>\$ 120,139,000</b>	<b>\$ 9,547,000</b>	<b>\$ 9,896,000</b>	<b>\$ 139,582,000</b>
<b>Systemwide Capital Projects</b>							
CPE Biotechnology Program in Shrimp Production (1)				1,700,000			1,700,000
<b>System Total</b>	<b>\$ 469,450,000</b>	<b>\$ 368,154,120</b>	<b>\$ 101,484,020</b>	<b>\$ 400,441,000</b>	<b>\$ 9,547,000</b>	<b>\$ 50,446,000</b>	<b>\$ 460,434,000</b>

Notes:

1. This project was added to the Council's 2004-06 Capital Projects Recommendation.
2. This project is funded with \$3.4 million of bond funds authorized by the 1998 General Assembly and \$1.5 million of restricted funds.
3. This project is included in the CPE recommendation as a special request, but is authorized as \$3.75 million state bond and \$5.0 million agency bond and \$3.5 million restricted funds.
4. Funding for this project (\$300,000) is included in the operating budget of Murray State University.

**2004-06 Capital Projects  
Agency Bond Projects - HB 267**

March 18, 2005

Institution and Project Title	CPE Recommended Agency Bond Pool (1)			Conference Committee Report		
	Project Scope	Agency Bonds	Other Funds	Agency Bonds	Inst/Fed. Funds	Total Scope
<b>Eastern Kentucky University</b>						
Construct New Intramural Fields	\$2,300,000	\$2,300,000		\$ 2,300,000		\$ 2,300,000
Renovate Residence Hall	7,500,000	7,500,000		\$7,500,000		7,500,000
EKU Subtotal	\$9,800,000	\$9,800,000	\$0	\$9,800,000	\$0	\$9,800,000
<b>Kentucky State University</b>						
Construct New Residence Hall	\$20,000,000	\$20,000,000	\$0			-
Residence Hall Improvements Pool	300,000			\$1,000,000		1,000,000
KSU Subtotal	\$20,300,000	\$20,000,000	\$0	\$1,000,000	\$0	\$1,000,000
<b>Morehead State University</b>						
Expand Student Wellness Center				1,000,000		1,000,000
Residence Hall Renovation /Improvements (2)				5,000,000		5,000,000
MoSU Subtotal	\$0	\$0	\$0	\$6,000,000	\$0	\$6,000,000
<b>Murray State University</b>						
Construct New Residential College Facility (rpl R & C Halls)	\$10,154,000	\$10,154,000		13,077,000		13,077,000
MuSU Subtotal	\$10,154,000	\$10,154,000	\$0	\$13,077,000	\$0	\$13,077,000
<b>Northern Kentucky University</b>						
Construct New Student Union	\$32,800,000	\$28,000,000	\$4,800,000	\$14,750,000	\$21,050,000	\$35,800,000
Construct New Parking Deck Phase II	9,700,000	9,700,000				
NKU Subtotal	\$42,500,000	\$37,700,000	\$4,800,000	\$14,750,000	\$21,050,000	\$35,800,000
<b>University of Kentucky</b>						
Construct Biological/Pharmaceutical Complex	\$119,892,000	\$47,956,800	\$71,935,200	See state bond project		
Basketball Practice Facility				\$7,000,000	\$ 8,000,000	\$15,000,000
Construct Patient Care Facility - Hospital				100,000,000	100,000,000	200,000,000
Construct Student Health Facility design				24,000,000		24,000,000
UK Subtotal	\$119,892,000	\$47,956,800	\$0	\$131,000,000	\$108,000,000	\$239,000,000

**2004-06 Capital Projects  
Agency Bond Projects - HB 267**

**March 18, 2005**

<b>Institution and Project Title</b>	<b>CPE Recommended Agency Bond Pool (1)</b>			<b>Conference Committee Report</b>		
	<b>Project Scope</b>	<b>Agency Bonds</b>	<b>Other Funds</b>	<b>Agency Bonds</b>	<b>Inst/Fed. Funds</b>	<b>Total Scope</b>
<b>University of Louisville</b>						
Construct HSC Research Facility - Phase III	\$98,000,000	\$39,200,000	\$58,800,000	See state bond project		
Renovate and Purchase Home of the Innocents				\$ 8,031,000		\$ 8,031,000
Construct Multipurpose Fieldhouse & Practice Facility				8,000,000		8,000,000
Expand Cardinal Arena for Basketball and Office				9,548,000		9,548,000
UofL Subtotal	<u>\$98,000,000</u>	<u>\$39,200,000</u>	<u>\$58,800,000</u>	<u>\$25,579,000</u>	<u>\$0</u>	<u>\$25,579,000</u>
<b>Western Kentucky University</b>						
IT Infrastructure				\$ 3,000,000		\$ 3,000,000
Design/Construct Student Health Services Building	4,000,000	4,000,000		4,000,000	\$ 1,000,000	5,000,000
Renovate Schneider Hall (Math and Science Academy)	11,000,000	11,000,000		See state bond project		
Renovate and expand Academic/Athletic #2 design				9,500,000	25,500,000	35,000,000
South Campus Parking and Dining Improvements				7,000,000		7,000,000
WKU Subtotal	<u>\$15,000,000</u>	<u>\$15,000,000</u>	<u>\$0</u>	<u>\$23,500,000</u>	<u>\$26,500,000</u>	<u>\$50,000,000</u>
<b>System Total</b>	<b>\$315,346,000</b>	<b>\$179,810,800</b>	<b>\$63,600,000</b>	<b>\$223,706,000</b>	<b>\$155,550,000</b>	<b>\$379,256,000</b>

**Note:**

1. The Conference Report does not include a postsecondary institution agency bond pool.
2. There is a conflict between HB 267 SCS and the Conference Committee Budget Modification Report. The bill identifies the fund source as restricted funds and the budget memorandum shows the fund source as agency bonds. The final determination of the source of funds has not yet been made.